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SUBJECT: PALTRADE OFFICER ON SETTLEMENT GREENHOUSES, PAPA PROGRAM

Classified By: Economic Counselor Bill Weinsteinm for reasons 1.4 (b) a  
nd (d)

11. (C) Summary: PalTrade cash crops officer Hashim Al-Hussaini spoke to Econoff February 9 on Gazan agribusiness and job creation post-disengagement. On settlement assets, Hussaini emphasized the need for direct GOI-PA security coordination in order to safeguard greenhouses and other infrastructure during the pullout, arguing that Israeli-Palestinian dialogue on logistics such as third-party transfer or settlement inventory are less crucial at this juncture. Hussaini was enthusiastic about USAID's Palestinian Agribusiness Partnership Assistance (PAPA) program, urging the USG to ignore what he called politically driven complaints of lack of prior USAID-PA coordination. Gazan firms had responded eagerly to the project, he said, which will create "thousand of jobs" and build agribusiness capacity in the long term. He warned, however, that in order for Gazan agribusiness to succeed the USG must find a way to guarantee continued water supply to settlement greenhouses and to ensure market access for Gazan products regardless of the status of GOI closures. End summary.

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GOI-PA Coordination Needed on  
Safeguarding Assets During Transfer  
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12. (C) Hashim Al-Hussaini, head of the Agribusiness Trade Development and Promotion Project of the Palestine Trade Center (PalTrade), told Econoff February 9 that unless the GOI and the PA coordinate closely on security issues surrounding the Israeli pullout, settlement assets will be "up for grabs" by armed factions, families with dubious claims to the land, or Gazan looters. Hussaini said he is not certain whether the settlements should come under solely PA control, private ownership, or a mix of the two. He expressed confidence, however, that as long as greenhouses and other agribusiness infrastructure remain intact and out of the hands of "renegades," Gazan firms will be able to put them to almost immediate use post-disengagement.

13. (C) "Israel knows who to talk to on settlements", he said. "It's naive of them to say there's nobody." Hussaini claimed he "knows for sure" that the PA has detailed plans for receiving and disposing of the settlement assets, and urged the GOI to turn immediately to Abu Mazen or Musa Arafat regarding "day of" security issues. (Note and comment: Hussaini is reportedly related by marriage to Musa Arafat and may overstate his relevance on this issue. Hussaini appeared unable to speak in detail about GOI-PA dialogue on non-security-related settlement asset issues, and declined to explain what steps must be taken to facilitate Gazan usage of the assets. End note and comment.)

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PAPA a Big Hit With Gazans Despite PA Complaints  
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14. (C) In Hussaini's view, USAID's Palestinian Agribusiness Partnership Activity (PAPA) project is well-timed and has the potential to create "thousands of jobs" in the sector. "Forget the PA complaints" that USAID did not coordinate with Ministries on the project before issuing the tender, he said. (Note: The Minister of Planning and the Minister for Cabinet Affairs separately raised their concerns with USAID. Before putting the project out to bid, USAID had unsuccessfully tried to find a POC within the Ministry of Agriculture with whom to discuss the project. End note.) The Agriculture Ministry had also been angry at the NGO ACDI-VOCA for alleged lack of coordination with the PA on its U.S. Department of Agriculture-funded, small-scale Grants Management program, he said. (Note: Hussaini may be reflecting the lack of information sharing in the Ministry of Agriculture, since a senior advisor to the PA Minister of Agriculture sits, along with ConGenOffs and USDA's Agricultural Specialist at Embassy Tel Aviv, on ACDI-VOCA's Food Security Committee -- the body which reviews all of ACDI-VOCA's USDA-funded small-grants proposals. End note.) In Hussaini's view, "conspiracy theorists" within the PA criticize any U.S.-affiliated project for political reasons.

15. (C) Gazan firms "jumped on" the PAPA tender, Hussaini explained. PAPA will build long-term capacity in the

agribusiness sector, he said, and "inspire" Gazan growers by giving them access to the top-of-the-line technology inside settlement greenhouses. Moreover, PAPA is "back on the right track" -- a step towards long-range development assistance rather than purely emergency aid, which had been the donor's focus since the start of the Intifada.

16. (SBU) USAID notes that PAPA is designed to facilitate the transfer of existing agribusiness in the Gush Katif area and promote additional agribusiness development in Gaza following Israeli withdrawal by supporting the refurbishment of greenhouses, preventing the destruction of capital investment, and minimizing disruption of operations. The greenhouses will be placed under the management of a Palestinian caretaker entity until they can be privatized. PAPA's operational focus is on Israeli-Palestinian agribusiness partnerships, which will enable the rapid transfer of processing technologies following disengagement, as well as ensure that Gazan growers have continued access to wider markets through Israel's existing trade links.

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Water and Closures -- Two Main Obstacles  
on Settlement Assets  
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16. (C) According to Hussaini, PAPA's potential shortfalls lie in water shortages as well as the GOI's closure regime. On water, the PA does not have sufficient resources to irrigate some 4,000 dunams of settlement greenhouses, let alone 18,000 dunams of fertile "security zone" land that surrounds the settlement blocs. Hussaini argued that USAID must guarantee Israel's continued supply of water to the settlements, noting that the PA would "of course" pay a fee for this service. On closures, he said, USAID must work with Israel to provide goods-to-market insurance. "We can grow world-class produce, but it's worth nothing if we can't ship it out of Gaza." Any job-creation initiative is welcome, he said but donors must first address closures.

17. (C) Hussaini's comments underscore the Gazan private sector's high hopes for the settlement assets, and their belief that greenhouses can provide extensive benefits to the Gazan economy post-disengagement. The USG should continue to encourage direct GOI-PA dialogue on the logistics of transfer through clear and consistent channels.

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